



## INTRODUCTION TO PROPERTY INSURANCE

**P**roperty insurance protects small business owners from losses due to damage to physical space or equipment and as a result of theft. For insurance purposes, a business' property includes the physical building in which it resides, as well as its other assets. All of the following, owned or leased, can be considered business property:

- The actual building
- Inventory
- Furniture, equipment and supplies
- Machinery
- Computers and other data processing equipment
- Valuable papers, books and documents
- Artwork and antiques
- Television sets, VCRs, DVD players, satellite dishes
- Signs, fences and outdoor property not attached to a building
- Non-tangible items such as trademarks and copyrights

There are three types of property insurance plans:

- **Basic form**, which includes losses resulting from a fire, lightning, windstorm, hail and explosion, plus the cost of removing property to protect it from further damage.
- **Broad form**, which includes basic *plus* extended coverage for other types of perils, such as a roof collapse (e.g. caused by snow or ice), riot and civil commotion, etc.
- **Special form**, which includes basic and broad, and covers all direct physical losses *except* conditions specifically excluded as listed in the policy.

With property insurance you can buy either actual cash value or replacement cost insurance.

Actual cash value insurance reimburses you for the value of lost, damaged or stolen goods after depreciation is taken into consideration. Replacement cost insurance reimburses you the amount it would take to replace, rebuild or repair damages with materials of similar kind and quality, without deducting for depreciation.

### **Business Interruption/Continuation Insurance**

This type of insurance covers lost earnings due to a circumstance covered by one of the property insurance plans you purchased, such as a fire or theft that shuts down your business for an extended period of time. Business interruption/continuation insurance covers expenses associated with running a business, such as payroll and utility bills, based on the company's financial records.

Business interruption/continuation coverage can be added to a property insurance policy or purchased as part of a package insurance product.

### **Tips and Considerations Concerning Property Insurance**

- It's important to have your property value assessed before, and periodically thereafter, any type of property insurance coverage is purchased. Be sure to keep copies of receipts for equipment, furniture and other valuable items in the event your premises are destroyed. Keep physical photos of your property in another location as well as digital pictures that you store on your computer or with a Web service.
- High-value specialty items, like antiques and artwork, should also be assessed by a reputable appraiser before you buy property insurance. These types of items are usually covered for an agreed-upon amount before a policy is written. It is important to specifically tell your agent about these specialty items so that the correct coverage is provided.
- If you lease your building or offices, do not rely on your landlord to provide coverage for your business property. The building will typically provide insurance only for the basic structure and common areas. Read your lease carefully – there may be other requirements or penalties in the fine print. Check to see what is and is not covered so that you are fully protected if something happens to your property and equipment or if someone decides to sue you for damages caused by you or one of your employees.
- A property insurance policy generally includes a statement specifying the limit of liability. Be sure you understand how it works. The limit of liability is defined as the maximum amount an insurer will pay for a covered loss. Typically, the insurer will bear responsibility up to a certain limit, as stated in the policy, with the policyholder liable for amounts above that limit.
- Costs for business interruption coverage are tied to the type of small business you operate. For example, less business interruption coverage would be needed following a fire at a travel agency versus an art gallery, assuming that it would take more time for an art gallery to recover from a fire.
- Even if you purchase business interruption coverage, make sure you have sufficient funds to tide you over the first few days. This type of coverage typically doesn't kick in for a specified time period after a disrupting incident occurs. The time period will be listed in your policy.

For more useful information about insurance, small business owners can visit DISB's Web site at [www.disb.dc.gov](http://www.disb.dc.gov) and NAIC's new education Web site for small businesses, Insure U for Small Business Online at <http://www.insureuonline.org/smallbusiness/index.htm>

### **ABOUT THE NAIC**

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The association's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, it is the oldest association of state officials. For more information, visit NAIC on the Web at: [http://www.naic.org/press\\_home.htm](http://www.naic.org/press_home.htm)

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The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates all financial-service businesses in the District of Columbia. DISB has two overall missions: to provide fair, efficient and fast regulatory supervision of financial-service activities for the protection of the people of the District of Columbia; and to create conditions that will attract and retain national and international insurance, securities, banking and other financial-services businesses to the District. For more information, visit DISB on the Web at [www.disb.dc.gov](http://www.disb.dc.gov).